

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 07976 111956Z

15

ACTION EUR-12

INFO OCT-01 IO-04 ISO-00 SWF-01 AID-05 CEA-01 CIAE-00

COME-00 EB-04 FRB-01 INR-05 NSAE-00 RSC-01 CIEP-01

SP-02 STR-01 TRSE-00 LAB-01 SIL-01 SAM-01 OMB-01 SS-20

NSC-05 L-01 DRC-01 /070 W
----- 097816

R 111853Z OCT 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7621

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

USMISSION NATO

LIMITED OFFICIAL USE EC BRUSSELS 7976

PASS TREASURY, FRB AND CEA

E.O. 11652: N/A

TAGS: EFIN, EEC

SUBJECT: EC COMMISSION ADOPTS DRAFT REGULATION REGARDING PROPOSED
COMMUNITY BORROWING FROM ARAB COUNTRIES

REF: A. EC BRUSSELS 7191 B. EC BRUSSELS 7122
C. EC BRUSSELS 7068

1. SUMMARY: THE EC COMMISSION HAS FORWARDED TO THE COUNCIL
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 07976 111956Z

A PROPOSED GENERAL REGULATION AUTHORIZING

THE COMMUNITY TO BORROW FUNDS ON THE INTERNATIONAL CAPITAL MARKETS. AT ITS OCTOBER 21 MEETING THE FINANCE COUNCIL WILL TAKE UP THE PROPOSED REGULATION WHICH WOULD ESTABLISH THE OPERATING PRINCIPLES FOR BORROWING. OUR SOURCES ADVISE US THAT THE FRG HAS DIFFICULTIES WITH THE PROPOSED REGULATION BECAUSE IT LACKS SPECIFICITY ON THE MAXIMUM AMOUNT OF EACH COUNTRY'S GUARANTEE. END SUMMARY.

2.THE EC COMMISSION ADOPTED ON OCTOBER 10 A DRAFT GENRAL REGULATION CONCERNING THE PROPOSED EUROPEAN BORROWING FACILITY WHICH THE FINANCE COUNCIL WILL CONSIDER ON OCTOBER 21. (ON A CONFIDENTIAL BASIS WE HAVE OBTAINED COPIES OF THE DRAFT REGULATION; COPIES ARE BEING POUCHED.) EVEN IF THE COUNCIL AGREES INPRINCIPLE, PROCEDURAL REQUIREMENTS WOULD DELAY ESTABLISHING A BORROWING FACILITY FOR AT LEAST SEVERAL MONTHS.

3.THE COMMISSION'S PROPOSAL SETS FORTH SEVERAL GENERAL PRINCIPLES: 1) NO FIXED AMOUNT WOULD BE SET IN ADVANCE FOR THE BORROWINGS; 2) THE BORROWINGS WOULD ONLY BE UNDERTAKEN IF A MEMBER STATE ASKED THE COMMUNITY FOR A LOAN; 3) THE COUNCIL WOULD HAVE CONTROL OVER THE FACILITY AND WOULD DECIDE ON EACH LOAN ON A CASE BY CASE BASIS; 4) THE COUNCIL WOULD ESTABLISH THE TERMS OF A LOAN AND ECONOMIC CONDITIONS WHICH THE BORROWING COUNTRY WOULD HAVE TO ABIDE BY; 5) THE BORROWING WOULD BE IN THE NAME OF THE COMMUNITY AND THE COMMISSION WOULD CARRY OUT OPERATIONS THROUGH A DESIGNATED AGENT; AND 6) A LOAN WILL BR REPAYED IN THE SAME CURRENCY OR UNIT OF ACCOUNT IN WHICH IT WAS ISSUED. THE PROPOSED REGULATION WOULD BE EFFECTIVE FOR FIVE YEARS.

4.AT THE LAST COUNCIL MEETING (REFS A & B), THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 07976 111956Z

FRG SOUGHT ASSURANCES THAT THERE WOULD BE A SPECIFIC CEILING TO ITS MAXIMUM GUARANTEE LIABILITY. THE MONETARY COMMITTEE IS NOW TAKING UP THE GUARANTEE ISSUE AND EXPECTS TO RESOLVE SATISFACTORILY THIS ISSUE. OUR GERMAN CONTACTS, HOWEVER,ARE NOT NEARLY SO OPTIMISTIC. THERE ARE STILL A NUMBER OF TECHNICAL DETAILS YET TO BE WORKED OUT.

6. THE FRG CONTINUES TO BE CONCERNED THAT IT MIGHT ULTIMATELY HAVE TO REPAY MOST OF A COMMUNITY BORROWING SHOULD AN ECONOMIC CATASTROPHE CAUSE OTHER STATES TO DEFAULT ON THEIR LOAN PAYMENTS. THE ARABS WOULD LIKELY WANT TO LEND IN DOLLARS AND ONLY THE FRG HAS SUFFICIENT DOLLAR RESERVES TO MEET THE COMMUNITY'S OBLIGATIONS SHOULD A CRISIS OCCUR. CONSEQUENTLY, THE FRG WANTS SPECIFIC ASSURANCES ON THE LIMITS OF ITS GUARANTEE LIABILITY; IT IS NOT YET SATISFIED WITH THE PROPOSED SYSTEM OF DISTRIBUTING GUARANTEES AMONG MEMBER STATES. (SEE REF C). THE

COMMISSION IS ENDEAVORING TO WORK OUT A FORMULA WHICH WILL MEET THE FRG'S DEMANDS BEFORE THE OCTOBER 21 MEETING. GREENWALD

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, FINANCE, ECONOMIC STABILITY, BANK LOANS, MINISTERIAL MEETINGS, ECONOMIC PROGRAMS, ANTINFLATIONARY PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ECBRU07976
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740290-1116
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741053/aaaabtbx.tel
Line Count: 132
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. EC BRUSSELS 7191 B. EC BRUSSELS 7, 122
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by boyleja>; APPROVED <30 JUL 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC COMMISSION ADOPTS DRAFT REGULATION REGARDING PROPOSED COMMUNITY BORROWING FROM ARAB COUNTRIES
TAGS: EFIN, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005